

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 4 — 0 0 8

2. STATE:

RI

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

07/01/04

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Section 1923 of the Social Security Act:

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplement 1 to Attachment 4.19A

pages 2,3,4 and 4a

7. FEDERAL BUDGET IMPACT:

a. FFY 2004 \$ 560,000

b. FFY 2005 \$ 886,000

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Supplement 1 to Attachment 4.19A

pages 2,3,4 and 4a

10. SUBJECT OF AMENDMENT:

Disproportionate Share Hospital Policy

11. GOVERNOR'S REVIEW (Check One):

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

See attached letter

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Ronald Lebel

14. TITLE:

Acting Director

15. DATE SUBMITTED:

6/29/04

16. RETURN TO:

Tim A. Kemmy  
Department of Human Services  
600 New London Avenue, Bldg. #57  
Cranston, RI 02920**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

September 23, 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL - 1 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

Dennis G. Smith

21. TYPED NAME:

Dennis G. Smith

22. TITLE:

Director, CMSO

23. REMARKS:

2. Low income utilization rate means, for a hospital, the sum of X

- A. A fraction (expressed as a percentage), the numerator of which is the sum (for the hospital's fiscal year designated in Section III, 1, F) of the total medical assistance revenues paid the hospital for patient services (regardless of whether the services were furnished on a fee-for-service base or through a managed care entity), and the amount of the cash subsidies for patient services received directly from State and local governments, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in that period; and
- B. A fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in the hospital's fiscal year designated in Section III, 1, F, less the portion of any cash subsidies described in subparagraph (A) in that period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in that period.

The numerator under subparagraph (B) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance).

III. Payment Adjustment

1. For Federal fiscal year 2004, payments under Section H and subsequent Federal fiscal years, for Federal fiscal year 2005 payments under the other Sections and for Federal fiscal years thereafter, the State shall make payment on or after October 1<sup>st</sup> to each qualifying facility in accordance with the following formula:
- A. For all licensed hospitals within the State of Rhode Island that meet or exceed the criteria set forth in section 1923(b) of the Social Security Act, \$1,000 plus the proportional share of ~~\$234,289~~ \$200,000 inflated each year by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals. That sum shall be distributed among the qualifying facilities in the direct proportion that the low income utilization rate in each facility exceeds 25 percent.

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04-01-04

- B. For state operated hospitals which exceed the Medical Assistance inpatient utilization rate by more than one standard deviation, there shall be an additional payment of \$10,000 plus the proportional share of \$13,147,110 inflated each year (by the maximum percent increase allowed in the Maxicap System for Statewide Expense Reimbursement for Rhode Island hospitals). That sum shall be distributed among the qualifying facilities in the direct proportion of the weighted average yielded by the multiplication of the percentage points that the medical assistance utilization rate exceeds one standard deviation unit above the mean, times the total dollars expended for medical assistance care.
- C. For women and infant specialty hospitals licensed within the State of Rhode Island (i.e., hospitals with more than 5,000 births annually and a neo-natal intensive care unit) which exceed the Medical Assistance in-patient utilization rate by more than one standard deviation unit or whose low-income utilization exceeds 25%, \$1,000 plus the proportional share of \$2,409,670 inflated each year by uncompensated care index as defined in Rhode Island General Law 40-8.3-2(5). That sum shall be distributed among the qualifying facilities in direct proportion of the weighted average yielded by the multiplication of the percentage points that the low income utilization rate exceeds 25% times the total dollars expended for low income care.
- D. For non-government hospitals licensed within the State of Rhode Island, whose Medicaid inpatient utilization rate exceed 1%, there shall be an additional payment not to exceed \$79.6 million to compensate hospitals for uncompensated care (as defined below) distributed among the qualifying hospitals in direct proportion to the individual qualifying hospital's uncompensated care to the total uncompensated care costs for all qualifying hospitals.
- E. Women and infant specialty hospitals which qualify shall be paid only in accordance with sections A, C, D and H. Psychiatric hospitals which qualify shall be paid only in accordance with A, and H. State hospitals which qualify shall be paid only in accordance with sections A and B.

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- F. Uncompensated care is defined as the sum of the cost incurred for inpatient or outpatient services attributable to: 100% of charity care (free care and bad debts per audited financial statements) for which the patient has no health insurance or other third party coverage, less payment received directly from patients; and, costs attributable to Medicaid clients less Medicaid reimbursement.

The utilization rates, costs, and uncompensated care for the most recently completed hospital fiscal year for which data is available (hospital fiscal year 2003) will be utilized to determine each hospital's payment. 2003 uncompensated care costs shall be indexed by the uncompensated care index as defined in Rhode Island General Law 40-8.3-2(5) for each subsequent year to calculate the costs for the year in which payments are made. The total payment to a qualifying facility will not exceed the facility specific caps described in Section 1923(g).

- G. Rhode Island's share of any national disproportionate share allocation in addition to the amounts authorized under Section III and any undistributed monies from section A, C, D, and H (should no hospitals qualify in those categories) shall be added to section B and distributed by the same proportion and methodology.
- H. For all hospitals licensed within the State of Rhode Island that operate graduate medical education programs recognized by Medicare as approved medical residency programs (or determined by the Department of Human Services as substantially equivalent thereto) there shall be an additional payment not to exceed \$1.0 million. The additional payment shall be allocated among the qualifying hospitals in direct proportion to the number of full-time equivalent residents and interns in graduate medical education programs recognized by Medicare as approved medical residency programs (or determined by the Department of Human Services as substantially equivalent thereto) in each qualifying hospital compared to the total number of full-time equivalent residents and interns in graduate medical education programs recognized by Medicare as approved medical residency programs in all qualifying hospitals. The number of full-time equivalent residents and interns in such graduate medical education programs shall be equal to the number of weighted full-time equivalent residents and interns (a) for purposes of calculating direct graduate medical education payments as reported on Line 3.09 and/or Line 3.17 of Worksheet E-3, Part IV in the most recent audited Medicare cost report, or (b) as reported and certified by a qualifying hospital on such forms or reports, and for such periods, as may from time to time be designated by the Department of Human Services, and subject to audit by the department or its designee. The Rhode Island Department of Human Services will determine that the additional payment is reasonably related to the costs, volume, or proportion of services provided to patients eligible for Medical Assistance or to low-income patients.

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- I. Notwithstanding any of the foregoing provisions in Section III, non-government hospitals will receive additional disproportionate share payments if they meet the following criteria:
  1. The hospital meets or exceeds criteria set forth in Section 1923(d) of the Social Security Act and as such criteria are more particularly defined in Section I.1.C and D herein.
  2. The hospital is licensed within the State of Rhode Island.
  3. The hospital provides psychiatric services to clients not defined as prison inmates under the care of the Department of Mental Health, Retardation and Hospitals (MHRH) or the Department of Children, Youth and Families (DCYF).
  4. The hospital enters into a written agreement with the Department of MHRH or DCYF for the provision of the services listed in subsection H.3 above.

The payment amount will be in direct proportion to each hospital's uncompensated care costs relative to the uncompensated care costs of all qualifying hospitals. Each qualifying hospital will receive quarterly payment from a pool. Total payments from this pool will not exceed \$2.4 million annually.

- J. For purposes of applying and allocating the State DSH allotments established Under Section 1923 (f) of the Act, the department shall allocate the allotment ratably to the pools established under sections A, B, C, D and I, and then to the pool established in section H, subject to the limits established therein.

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